

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 12/04/2012

GAIN Report Number:

Nicaragua

Food Processing Ingredients

Food Export Opportunities in Nicaragua

Approved By:

Kelly Stange, Agricultural Attaché

Prepared By:

Jimmy Bolaños, Ag Specialist

Report Highlights:

The Nicaraguan market offers good opportunities for grains (wheat, yellow corn, and rice) as its local production is not sufficient to supply the domestic demand. There are good opportunities for semi-processed products, such as soybean meal and soybean oil, and a wide a range of consumer oriented products that are attractive to a young market segment.

Post:

Managua

Executive Summary:

The Nicaraguan market offers good opportunities for grains (wheat, yellow corn, and rice) as its local production is not sufficient to supply the domestic demand. There are good opportunities for semi-processed products, such as soybean meal and soybean oil, and a wide a range of consumer oriented products for a young market segment. About 49 percent of the Nicaraguan population is younger than 19 years old. Among the best prospects for consumer oriented products are: bread and biscuits, non alcoholic beverages, cigarettes, breakfast cereals, sugar confectionary and food preparations for infants' use.

The Nicaraguan food industry, on the other hand, is mostly involved in primary processing activities of local products for the export market, leaving good opportunities in the domestic market for foreign suppliers. Even though this industry has been growing in the last years, it is still under-developed when compared with other Central American Countries. Two key market trends that are changing the Nicaraguan market are the expansion of the modern marketing channel, which exposes consumers to greater variety of food, and the rise of the middle class, which contributes to a greater demand for higher quality products.

Market Description

Nicaragua is a country of young people; the median age is 23 years and about 49 percent of the population is younger than 19 years old. It's the fourth most populated country in Central America (5.9 million) after Guatemala, El Salvador and Honduras. Even though it is the second poorest country in the Western Hemisphere, its economy has experienced an average growth of 3 percent in the last ten years, increasing the buying capacity of the medium class. In 2011, the Nicaraguan Central Bank reported a GDP per capita of U\$ 1,133, a 9 percent increase compared to the previous year.

The Nicaraguan economy heavily depends on agriculture (23 percent of the GDP) which employs about 30 percent of the work force. In 2011, three fourths of the Nicaraguan exports (U\$ 2.3 billion) came from the agricultural sector. Even though Nicaragua is a food producer, it is not self sufficient. Nicaragua is a large importer of grains (rice, yellow corn, and wheat and soybean meal), semi-processed foods such as edible oils and a great variety of processed food. Most of the food products found in the supermarkets are not processed locally.

In 2011, food imports of intermediate products such as vegetable oil, wheat flour and other food preparations increased 17 percent compared to the previous year reaching over US\$ 799 million. The Central Bank of Nicaragua also reported an increase of 10.5 percent in non-durable consumer products, which are mainly food products, reaching over U\$ 1.33 billion. Among the products have showed substantial growths in the last years are: grains, edible oils, beverages bread and biscuits, cigarettes, sugar confectionary, powder milk and breakfast cereals.

The Food Industry

The Nicaraguan food industry is under-developed when compared to other Central American countries. However, the annual Nicaraguan food industry sales accounts for about 30 percent of the GDP. In general, the food industry is involved in primary processing activities of local products for the export market. Top Nicaraguan exports include coffee, beef, sugar cane, fisheries, dairy products and peanuts. On the other hand, there are food industries which target the domestic market and depend on the import of primary products from foreign markets. Among these food industries are grain millers, edible oil processing plants, beverage plants (non-alcoholic and alcoholic beverage plants) and sausage processing plants. Please refer to following table to see the food industry sales in 2011.

Manufacturing Sector Output for Selected Industries (In U.S. millions)

Industries	2009	2010	2011	2009-2011 Percentage Increase
Meat and Fish	699	756	851	22%
Sugar	196.7	236.5	286.5	46%
Dairy Products	312	324.7	333.4	7%
Other food of Industrial Source	564	575.2	598.9	6%
Beverages	311.4	312.7	347.2	11%
Total	2,083.10	2,205.10	2,417	10%

Source: Nicaraguan Central Bank

Growth of the Food Industry

According to the Central Bank, in 2011, food and beverage production accounted for 65.3 percent of all manufacturing industries. The Central Bank has reported an average growth of 4.4 percent for this food industry in the last years. This average growth is higher than other manufacturing industries. Just in 2011, total food industry sales reached over US \$2.4 billion, a 10 percent increase compared to the previous year.

Food Trade Balance

In terms of food trade balance, according to FAO statistics, Nicaragua exports more food than it imports. However, when looking at processed food, Nicaragua has a negative trade balance. Most of the products found in the supermarkets come from Central American Countries and the United States. According to the Central Bank, in 2011, Nicaraguan processed food imports reached over US \$542 while exports reached over US \$440 million. This only includes processed food such as sugar, processed coffee, cooking oil and rum. Most of the food industries in Nicaragua are involved in the processing of export products, as shown in the above table. On the other hand, there is still limited integration between the primary sector and local industry. This provides great opportunities for foreign suppliers.

One factor that has reduced the Nicaraguan negative trade balance is the increase of Nicaraguan exports, especially after the signing of the Central America Free Trade Agreement-Dominican Republic (CAFTA-DR). In 2011, Nicaraguan exports reached over US\$ 2.3 billion, a 23 percent increase compared to the previous year. From this total, about three fourths of the export products come from the agricultural sector.

Main Nicaraguan Food Import Products (In thousands of dollars)

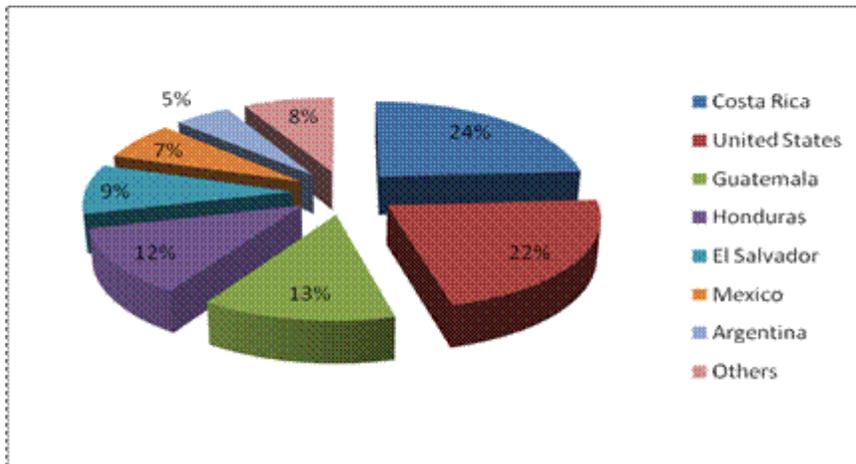
Code	Product label	Imported value in 2007	Imported value in 2008	Imported value in 2009	Imported value in 2010	Imported value in 2011	2007-2011 Percentage Increase
'1001	Wheat and meslin	34624	42985	34431	35393	56158	62%
'1006	Rice	57808	78715	53364	49007	48461	-16%
'1005	Maize (corn)	28732	30360	25100	28132	41661	45%
'1507	Soybean oil & its fractions	24531	26545	25171	42365	63640	159%
'1511	Palm oil & its fraction	31286	45589	35983	32134	41933	34%
'1905	Bread, biscuits, wafers, cakes and pastries	29396	30636	33849	37116	43148	47%
'1901	Malt extract; food preparations of flour, meal, starch or malt extract	26321	28372	24542	26085	30680	17%
'2202	Non-alcoholic beverages (excl. water, fruit or vegetable juices and mi)	23373	29864	33424	37007	32211	38%
'2402	Cigars, cheroots, cigarillos & cigarettes	15995	17132	20523	23485	27998	75%
'2304	Soya-bean oil-cake and other solid residues	20234	26981	22467	26795	27950	38%
'1704	Sugar confectionery (incl white choc), not containing cocoa	15340	18136	16412	19326	22537	47%
'2009	Fruit & vegetable juices, unfermented	9715	12048	13219	14570	13604	40%
'1601	Sausages and similar products, of meat, offal or blood	5713	6688	7042	7947	9197	61%
'1806	Chocolate and other food	5316	5496	5169	5970	7560	42%

	preparations containing cocoa						
--	-------------------------------	--	--	--	--	--	--

Source: International Trade Center (ITC).

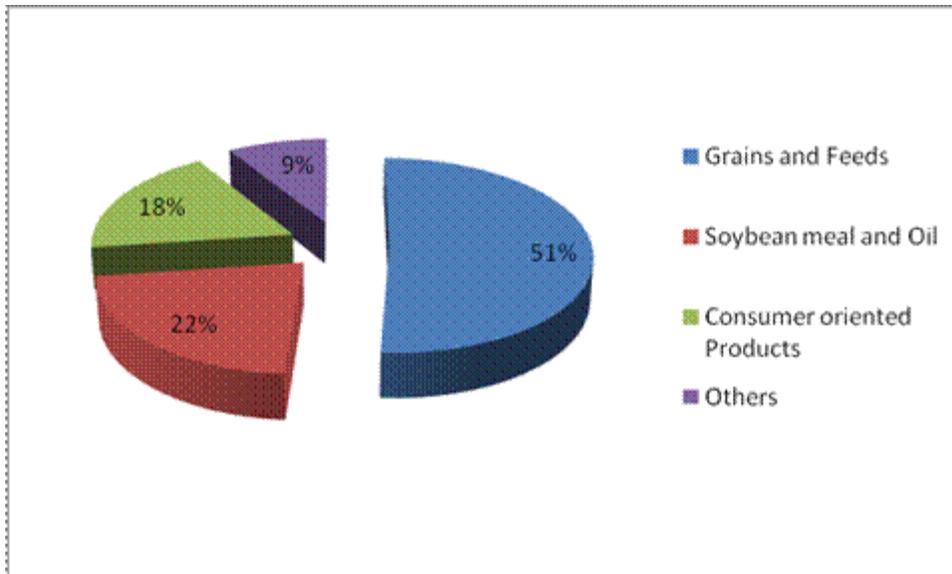
Origin of the Nicaraguan Food Imports

Costa Rica is the number one supplier of processed food to Nicaragua with 24 percent market share, followed by the United States with 22 percent and Guatemala and Honduras, with 13 and 12 percent respectively. On the other hand, the United States is the leading supplier of grains and semi-processed products such as soy bean meal and soy bean oil.



U.S. Food Exports to Nicaragua

In 2011, U.S. agricultural exports to Nicaragua increased by 10.45 percent compared to the previous year, reaching over US\$ 264 million. Grains and feeds continue to be the leading exported products holding 51 percent of total exports, followed by Soybean meal and oil (22 percent), consumer oriented products (18 percent) and others (9 percent).



Source: Office of Global Analysis/FAS/USDA.

Under consumer oriented products, dairy products, processed fruit and vegetables, poultry and red meats and snack foods experienced a significant increase in 2011. For more specific statistical breakdowns of export products by value and volume, please refer to the following link:

<http://www.fas.usda.gov/gats/PrintBicoReport.aspx?&PT=X&MYT=C&EY=2012&EM=08&EMName=August&RT=C&PC=NU&PN=Nicaragua&SY=2005&IP=N>

Nicaraguan Food Distribution Chain

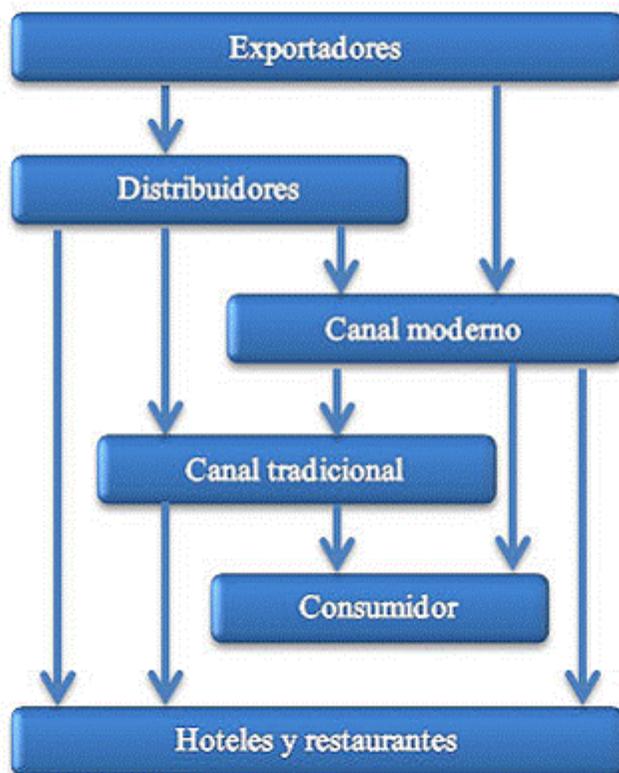
For the Food Processing Industry

Almost all Nicaraguan food industries import directly from foreign exporters. This is due to the large volumes local industries import. Some examples of these industries are edible oil plants, wheat millers, breweries, non alcoholic beverage processing plants and sausage plants.

For Consumer oriented Products

The Nicaraguan market for consumer oriented products is characterized by the wide involvement of the traditional channel (big local markets and small shops) which makes logistics complicated for foreign suppliers. For this reason, having a local distributor is a key aspect of the product entry strategy. The following diagram shows the different actors and possible options for the entrance into the Nicaraguan market.

Nicaragua: esquema de distribución de productos de la industria alimentaria en Nicaragua



Source: *Deteccion Alimentaria de Oportunidades para la Industria Alimentaria de Nicaragua.*

Description of Main Chain Actors

Distributors	In Nicaragua, there are big distributors with the capacity to reach many markets without the need of using intermediaries. In general, distributors target either the traditional or modern channel. There are distributors that just target hotels and restaurants.
Traditional Channel	The traditional channel is formed by the main local markets (Mercado oriental, Mercado Huembes, and El Mayoreo, among others), small supermarkets, and shops which have a limited number of products. Total sales in the traditional market are still the largest. Some of the unique services small shops provide in this channel are sales of small units, short term credit and convenient shop location.
Modern Channel	The modern channel is formed by large supermarket chains: Walmart, which owns La Union, Pali and Maxi Pali; La Colonia and Pricesmart. Wal-Mart has opened many supermarkets around the country as a result of the growing middle class. These types of customers look for more than basic food items. Some supermarkets have their own brands.

Hotel and Restaurants	Nicaragua has become a tourist destination during the last years. Hotels and restaurants try to offer good quality food at the most competitive prices. Some hotels and restaurants buy their food from local distributors. Others buy in local supermarkets.
Consumers	In general, the Nicaraguan consumer is price driven due to high unemployment rate. However, due to the growth of the middle class, there is another group of consumers who look for a variety of products with higher quality. These types of consumers are increasing and are the ones who buy at the local supermarkets. Some of the products that have increased through the modern chain are snacks, cereals, soups, sauces, etc.

Market Trends:

Competitive Prices

Due to the high unemployment rate, price is still the most important buying decision factor. Most of the consumers look for products which have an acceptable quality level at the most competitive price. Therefore, having a competitive price is essential to enter into the traditional and modern distribution channel.

Convenience and Added Value

The increase of income in the middle class has made consumers to look for products of better quality that add value and are convenient. Most of these consumers buy in supermarkets. Among these products are light products, fat free, sugar free, among others. The added value products are mainly sauces, soups, cereals, snacks and beverages. There is also a niche market for gourmet products which is beginning to grow. For gourmet products, there are small shops such as Bavaria and Stop and Go that target a high income market segment.

Products for a Young Segment

The Nicaraguan median age in Nicaragua is 23 year old and about 49 percent of the population are younger than 19 years old. Ready to eat products, such as potato chips, biscuits, chocolates and beverages, have experienced a considerable growth during the last years.

Competition

Overall, U.S. food products are very competitive; the economies of scale for food processing in the United States are simply larger and more diverse than Central American countries. However, due to the distance, the U.S. shipping costs are higher than most of the countries in the region. For the specific case of Nicaragua, the lack of port in the Atlantic Coast raises the shipping costs of U.S. products.

The United States has a leading market share in supplying the following products to the Nicaraguan market: cereals (wheat, rice, yellow corn and soybean meal), animal fats, vegetable fats and oils (soybean oil), residues, wastes of food industry, animal fodder (soybean oil and cake and animal feed preparations), edible fruits (apples and grapes), cocoa and cocoa preparations and meat and edible meat offal.

Among the products supplied to Nicaragua where the United States could increase market shares are sauces and mixed condiments, bread and biscuits, malt extracts, breakfast cereals, beverages and seafood products. Other Central American countries have the highest market share in supplying these products except seafood, which come from Vietnam and China.

Advantages and Challenges for U.S. products

Advantages	Challenge
Nicaragua Consumers trust the quality and wholesomeness of U.S. food and ingredients.	Some U.S. food/ingredients are more expensive than Central America's. The shipping costs of the United States are higher than most Central American countries. In addition to that, Nicaragua does not have a port in the Atlantic Coast which could significantly reduce these costs.
U.S. grains are very competitive in terms of price and quality.	Yellow corn and soy beans in the United States are Genetically Modified (GM). According to Nicaraguan regulations, it is forbidden to import GM products for human consumption. Yellow corn and soybean meal imports are only used for animal feeds. This limits the usage of grains by Nicaraguan industries.
U.S. food products have excellent marketing presentation.	Food product's labels are printed in English. In Nicaragua most of the population just speaks Spanish.

Best Prospects

The best prospects for the Nicaraguan food industry were based on growth of food imports and interviews with local key stakeholders.

For the Food Processing Industry

- **Cereals** (wheat, rice, yellow corn and soybean meal): The imported value in 2011 reached over US \$146.2 million.
- **Soybean oil and palm oil and its fractions:** Nicaraguan edible oil imports have increased in 30 percent in volume since 2007, reaching over 77,824 tons in 2011, with a total value of US \$105 million.
- **Malt Extract:** The importation of food preparations of flour, meal, starch or malt extract have increased in 20 percent in 2011, compared to the previous year reaching over 10,411 tons and US \$30.6 million.

Consumer oriented products:

- **Bread and Biscuits:** Nicaragua does not have sufficient industrial plants. As a result, Nicaragua imports bread from neighboring countries. In 2011, Nicaraguan bread imports reached over 25,392 tons with a total value of US \$43 million.
- **Non-alcoholic beverages:** the importation of water, including mineral and aerated, containing sugar or sweetening matter (Codes: 220210 and 220290) have increased by 15 percent since 2007, reaching over 82,353 tons with a total value of US \$42 million.
- **Breakfast Cereals and Cereal Bars:** The importation of cereals has increased in 10 percent since 2007, reaching over 25,392 tons with a total value of US \$15 million.

Please refer to Attachment A to see list of companies' profiles.

Appendix A: Companies' Profiles

Read Meat and Poultry Meat

List of Companies	Types of Products Processed
Industria Comercial San Martin S.A.	Beef, bait, bone meal
Matadero Central S.A	Beef, bait, bone meal
Nuevo Carnic S.A.	Beef, bait, bone meal
Novaterra S.A.	Beef cuts

Tip Top Industrial S.A.	Poultry meat
Avicola La Estrella S.A.	Poultry meat
Industrias Delmor, S.A.	Chicken and pork sausages
Carnes Industrializadas S.A.	Chicken and pork sausages
Delicarnes S.A.	Sausages and hams
Empresa de Alimentos Bavaria S.A	Sausages and hams
Industrias Cárnicas Integradas De Nicaragua, S.A.	Vacuum packed boneless beef

Fish and Seafood Products

List of Companies	Types of Products Processed
SHALMAN SEAFOODS	Frozen Shrimp
Camaronera de Nicaragua (CAMANICA)	Frozen Shrimp
Nica-Fish	Frozen Fish, Shrimp and Lobster
Expomar S.A	Frozen Fish, Shrimp and Lobster
Camarones del Pacifico (CAMPSA)	Frozen Shrimp
Central American Fisheries	Fish, lobster and shrimp
Corea de Nicaragua Camaronera S.A	Frozen Shrimp
Gulf King Seafoods	Frozen Shrimp
INTERNICA, S.A	Shrimp and Lobster
PAN PACIFIC FISHERIES DE NICARAGUA	Frozen Shrimp
PACIFIC SEAFOODS DE NICARAGUA	Frozen Shrimp

Dairy Products

List of Companies	Types of Products Processed
Compañía Centroamericana de Productos Lacteos (PROLACASA)	Pasteurized milk, cheese
Lacteos Centroamericanos S.A (CENTROLAC)	High temperature short time milk
Parmalat Centroamerica S.A.	Pasteurized Milk, cheese, orange juice.
COOPERATIVA SAN FRANCISCO DE ASIS (CAMOAPAN)	Cheese, pasteurized milk
COOPROLECHE	Pasteurized milk and cheese

Oilseed Products

List of Companies	Types of Products Processed
Aceitera Real	Peanut Oil, Soybean Oil & peanut flour.
Fraccionadora de Occidente S.A. (Fracocsa)	Soybean Oil
Agroindustrial de Oleaginosas (Agrosa)	Soybean Oil
E. Chamorro IND	Soybean Oil

Baked Goods

List of Companies	Types of Products Processed
Academia Nicaragüense de la Industria de la Panificación S.A. (ANIPASA)	Bread & Pastry
Aromas y Sabores SMAVI S.A.	Bread Flavorings
Bimabel de Nicaragua S.A. (BIMBO)	Bread & Pastry
Cooperativa de Panificadores Marcos García Escobar	Bread & Pastry
Delikatessen la Granja	Bread & Pastry
Industrial Don Pan S.A.	Bread
Panaderia Corzon de Oro	Bread & Pastry
Panaderia El Aguila	Bread
Panaderia el Esfuerzo	Bread
Panaderia La Baguete	Bread
Panaderia la Fuente	Bread
Panaderia Leon Dorado	Bread
Panaderia Miriam	Bread
Panaderia y Pasteleria La Suisse	Bread and Pastry
Panaderia El Trigo Dorado	Bread
Pasteleria y Terraza Margarita	Bread & Pastry
Pasteleria Sampson	Pastry
Reposteria y Panaderia Norma	Bread and Pastry
Reposteria y Queques Duya MAGICA	Pastry
Tonall	Bread & Pastry
Krafts food/Nabisco de Nicaragua	Cookies
Industrial Carphil S.A.	Cookies and Chocolates rolls

Confectionary Products

List of Companies	Types of Products Processed
Dulceria el buen gusto	Candies
Dulceria el Carmen	Candies
Dulceria el Encanto	Candies
Dulceria Karol	Candies
Dulceria Marina	Candies
Dulceria La Miel	Candies

Snack Foods

List of Companies	Types of Products Processed
Dinant Nicaragua	Snacks
Distribuidora America	Snacks-Frito Lay
Distribuidora Unimar	Mr. Snack

*Most of the snack products available in Nicaragua are imported from Central America and the United States.

Beverages

List of Companies	Types of Products Processed
Aguardiente Extrafino Mombacho	Alcoholic beverages
Compañia Licorera de Nicaragua (Flor de Caña)	Alcoholic beverages; Rum

Compania Cervecera de Nicaragua	Beer, purified waters, juices, milk and energy drinks
Embotelladora de Occidente	Mineral water
Embotelladora Nacional (ENSA)	Mineral water
Industrias Nacional de Refrescos S.A.	Rum
Khola Shaler Industrial	Sodas, mineral water, wine
Industria Innovadora S.A.	Purified water, mineral water
Hielera la Pinolera	Purified water and mineral water
Eskimo S.A.	Orange juice
Parmalat S.A.	Orange juice
Industrias Kojak S.A.	juice
Panamco- Nicaragua Coca Cola	Sodas, juices, water, mineral water
Distribuidora EDT Nicaragua	Sodas and juices

Condiments

List of Companies	Types of Products Processed
Commercial MSW	Spices and Condiments
Procacsa	Spices and Condiments

Specialized food ingredients

List of Companies	Types of Products Processed
Brentrag	Additives, preservatives, sweeteners, thickeners
Industrias Quimicas Termoking	Additives, preservatives, sweeteners, thickeners

Food Service Distributors

List of Companies	Types of Products Offered
ADIM & CIA Ltda.	Juice, tea, granola, honey
MAGNA, S.A	Tea, cereals imported meat
OCAL,S.A.	Cereals, Juices, Tomato Sauce, evaporated milk
Café Soluble	Coffee, Soups, Pasta, Tomato Sauce, Soya drinks
Comercializadora America S.A.	Frozen Vegetables
Dicegsa	Soups, juice, sauces, snacks, soybean oil
Distribuidora Nacional DINSA	Margarine, soups, juice, Snacks, etc

Post Contact and Further Information

E-mail address: jimmy.bolanos@fas.usda.gov

Phone: (505) 2252-7100 Ext. 7621

Fax: (505) 2252-7276

